



February 15, 2021

## Response to Final Determination

Attention: OfReg ([consultations@ofreg.ky](mailto:consultations@ofreg.ky))

Cc: Cayman Renewable Energy Association  
Ministry of CPI, Cayman Islands Government  
Energy Policy Council  
Board – Cayman Renewable Energy Association

This CREA response addresses the multiple instances of misinformation and false statements which form part of the OfReg Management teams report to the OfReg Board and upon which the final determination has been based.

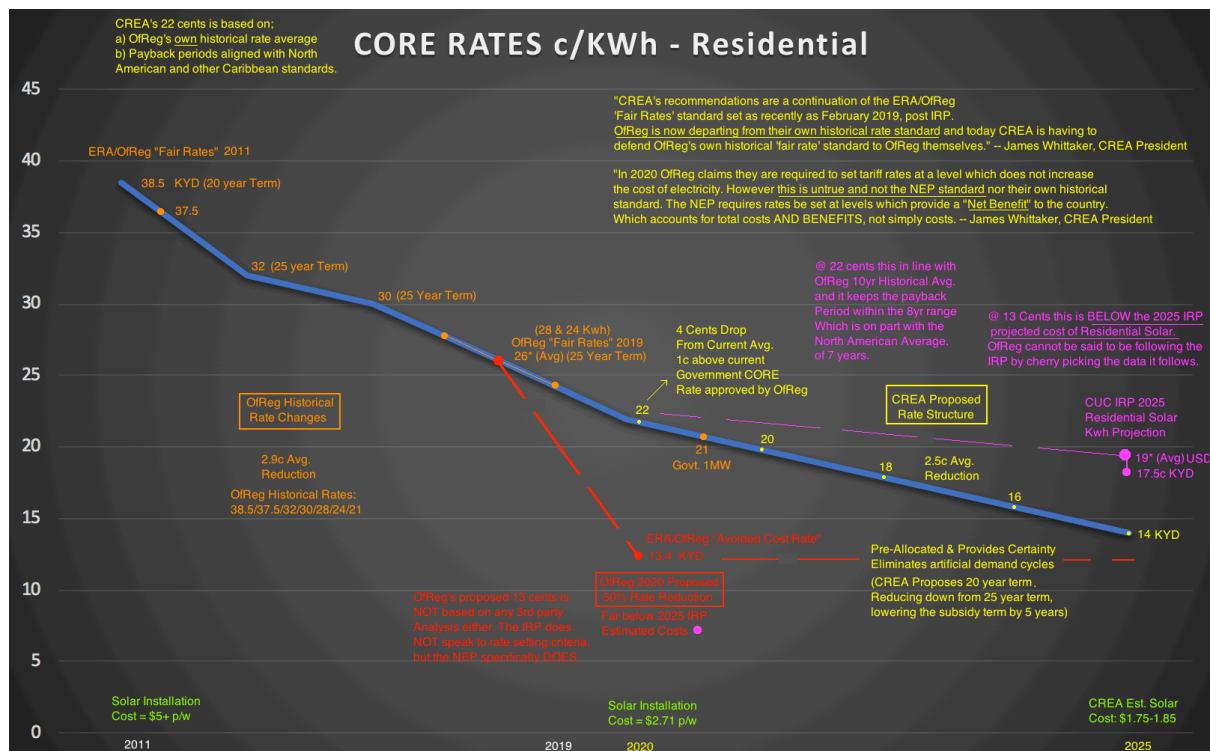
Additionally this document provides greater context for the ramifications of OfReg's proposed final determination as well as outlines the multiple instances of OfReg abdicating their legal obligation to implement the National Energy Policy (NEP) as it is written in favor of defacto creating their own version of official government policy based on which parts of the NEP their management team agrees with and which portions they do not.

OfReg's refusal to follow the National Energy Policy in multiple instances, including overriding the position of the government itself in the SPAC, and Government's failure to date to require OfReg to implement official government policy under the Public Authorities Law renders several of OfReg's decisions illegal as we will demonstrate.

The OfReg board has unfortunately made their decisions on this issue based largely on misinformation and false statements made by the management team, the details of which are outlined below.

As has been stated to OfReg multiple times the value of the subsidy for CORE is measured in the net benefit to the country, as per the NEP. The myopic focus on "costs" constantly used by OfReg's management to influence its board ignores the fact that the Cayman Islands receives millions of 'net' dollars in jobs and economic impact that far surpasses the cost of the subsidy; which CREA supports continually reducing over time as the costs of solar energy continues to fall. The very strategy developed and implemented by OfReg itself for a decade and the strategy the government, CREA and the NEP continues to support but OfReg now fights against.

This chart illustrates the last decade of OfReg strategy and decision making regarding the CORE rates, which have fallen by an average of 2.9 cents per MW of allocation. The current proposed rate drop is unprecedented and a departure from the historical norm. Worse the justifications upon which this departure from the norm are based have continually shifted from avoided costs, to costs of alternative large scale solar to now tying them to CUC's base rates.



- *OFREG -- The Office has not signaled, nor has it any intention of, ceasing or discouraging rooftop solar systems installations. In fact, Distributed Generation (DG) is an integral part of the NEP and the IRP roadmap shows increasing deployment of DG solar right up to 2045. Therefore, OfReg is developing plans to facilitate DG and other RE sources to provide energy to the grid as well as energy efficiency and demand response solutions.*

**Misleading** - Gregg Anderson of OfReg has stated multiple times to CREA that OfReg has no intention of continuing the CORE program.

This position is based on Gregg's and the OfReg management team's fundamental lack of understanding on how the DER program works and why it is doesn't make economic sense for consumers as they believed it did. This was further demonstrated in the various false public statements made by OfReg encouraging CORE customers to start adopting renewable energy systems under the DER program.

As CREA has tried to explain multiple times to OfReg's management team since 2018 (which was ignored for more than a year) **the DER program is only economically viable for less than 1% of the Cayman consumers** and those being the largest and wealthiest companies with large roofs, sophisticated financial capability and the ability to fund large systems without requiring financing (due to the high uncertainty of financial returns under the DER program). OfReg has only recently realized that CREA has been correct all along and the DER program does not work as it was claimed and we are told they are proposing future changes to it.

When CREA finally did meet with OfReg to present data on how the DER program does not work economically the only responses were "we'll have to check this out" and to date we haven't heard anything back from OfReg for months. Again, this program does not work and it is quite clear the OfReg management team, including the EDEU, does not fully understand this program or its economic realities.

Payback periods, if they are even available at all, exceed 30 years for most consumers rendering the program completely non-viable to 99% of the consumer base.

Appendix 1: Summary of test case results of analysis of the DER program							
Solar Only:							
Property type	Current Annual bill	Current Monthly bill	Two year ratchet period bill	Two year Change	Ongoing bill	Ongoing bill Change	
			\$	%	\$	%	
Residential 1	2,629	219	5,137	95%	2,634	0%	
Residential 2	4,198	350	4,437	6%	4,239	1%	
Residential 3	1,742	145	2,540	46%	2,297	27%	
Residential 4	2,221	185	3,816	72%	3,037	37%	
Commercial 1	59,321	4,943	103,009	74%	92,383	56%	
Commercial 2	8,649	721	10,376	20%	10,359	20%	
Solar plus storage							
						Payback Years	Investment Required \$
Residential 1	2,629	219	4,788	82%	1,038	-61%	34
Residential 2	4,198	350	3,455	-18%	2,493	-43%	27
Residential 3	1,742	145	2,269	30%	1,046	-40%	66
Residential 4	2,221	185	3,468	56%	1,583	-29%	82
Commercial 1	59,321	4,943	90,530	53%	46,737	-21%	25
Commercial 2	8,649	721	9,994	16%	9,105	5%	113

Thusly the office HAS signaled a ceasing and discouraging of rooftop solar systems and **in fact has shut down the local solar industry and consumer choice in renewable energy for more than a year** due to the incompetence of not understanding their own approved DER program and their stated intention to kill the CORE program. This has resulted in job losses, broader economic damage to the Cayman economy, negative impacts to consumers and direct violations of multiple requirements of the National Energy Policy.

OfReg has been "developing plans" for DG for 4 years now and the only program they have thus far developed (DER) has been an abject failure for 99% of Cayman's consumers and the management team did not understand the program they approved. There is no reason to believe at this point that OfReg has the competence to develop such programs, to develop appropriate rates for such programs nor do they appreciate the sense of urgency to do so for meeting the targets of the National Energy Policy. This is why CREA, the SPAC majority members and the Government voted to have a 3<sup>rd</sup> party independent consultant do so.

- *OFREG -- OfReg is legally obligated to act in the best interests of consumers, and balance many policy issues, whilst simultaneously ensuring that the T&D Licensee earns a fair and reasonable return for providing that electricity. Hence, the Office cannot continue to support a FIT rate that, beyond the near term, disadvantages certain consumers especially those who don't have the wherewithal to finance rooftop solar and/or battery systems that would enable them to reduce their electricity costs.*

**Misleading** – The National Energy Policy is written in the context of energy transition which provides the best value to the country, which is in the best interest of consumers. OfReg continues to erroneously interpret this purely in the context of “least cost” instead of best value. The National Energy Policy is unambiguous that rates for consumer renewable energy will be set at levels which account for the “full costs and benefits” to the country. NOT least cost.

Least cost in the context of Cayman’s waste is simply to throw our garbage on the ground; yet consumers will be paying hundreds of millions of dollars to have a waste treatment facility because when all costs and benefits are balanced that is the best value for the country. This is fundamentally no different; it’s about net benefit and best value as per the NEP.

CREA has requested since 2016 that OfReg (then ERA) conduct an assessment to determine the value of distributed solar to the Cayman economy in order to inform their rate setting (copies of these communications are available on request). To date, either through a lack of competence or will, they have refused to do so despite their now (legal) obligation to do so under the NEP. OfReg’s management team then continues to use this lack of available data from such an assessment as their own justification holding the myopic “least cost” philosophy, despite that being counter to official government policy and the lack of this data being their own fault.

It is also critical to note that for 10 years OfReg has operated under the strategy that CORE rates must be set at “fair rates” for consumers investing in renewable energy while reducing the subsidy to all other consumers. Something CREA has fully supported for the last decade and continues to do so today. We want all solar systems to attain a level of no subsidy but that is a trend and a process, OfReg magically believes in 2021 this goes from being a process to an immediate lack of subsidy for even the small solar systems. This is logically erroneous and counter to their 10 years of publicly stated decision making on CORE. As such there is no small irony that today CREA finds itself defending OfReg’s own decade of decision making against OfReg themselves.

Since 2020 OfReg has shifted their own position from “fair rates” to trying to tie consumer renewables to the avoided cost of fuel, the CUC IRP projections and the latest justification is a bizarre notion that consumer’s returns must be tied to CUC’s base rates. Despite there being no logical comparison to a giant monopoly utility whose risk and cost of capital cannot be compared to the average Caymanian.

OfReg seems to dismiss financing costs for average Caymanian consumers as a critical factor but CUC's financing costs are fully accounted for in their compensation by consumers.

OfReg also takes the bizarre backwards logic that average Caymanians should be subject to the vast risks and uncertainty in financial returns and inability to finance DER systems **all while CUC and other large investors should get PPA agreements for large scale solar, which provides them with fixed rates for fixed terms in order to reduce risk and provide certainty.** Despite the fact that the National Energy Policy REQUIRES consumers to have a "simple and safe agreement" such as CORE, and to which the DER program certainly does not apply. CORE in simple terms being a PPA with a fixed rate for a fixed term for average Cayman consumers. Thusly OfReg affords CUC and wealthy investors the luxury of simplicity, safety and certainty which they do not want to provide to the average Cayman consumers despite the NEP requiring them to do so.

In addition to Gregg Anderson's statements last year that there would no longer be a CORE program and Louis Boucher's comments that the industry should have known this (because OfReg don't understand that DER doesn't work as they have described and thus there is no viable alternative for 99% of Cayman's consumers) it has also been stated by OfReg's management team that "consumer renewables is not what is best for the country, it's too expensive". A common sentiment but a breathtaking statement when you realize large portions of the country's energy policy directly opposes this notion being espoused by the leaders of the country's energy regulator.

- *OFREG -- The Office considers it inappropriate to transfer the majority of the capacity allocated to the DER programme over to the CORE programme as Senergy suggested. The Office understands that there is currently over 900kW of DER projects in the pipeline and this needs to be considered.*

What OfReg fails to mention is that the DER program is only adopted by a VERY small handful of large wealthy commercial consumers who represent less than 1% of the consumer base. For years Government has lamented 'solar for the rich' yet OfReg's management team has created a program whose only outcome is this very achievement; all while trying their best to kill the only solar program average consumers have access to in CORE.

- *As recorded in the discussion of the questions and responses above the proposed determination of the FIT rate has changed. The Office proposes now to set the FIT rate for the 2020-21 capacity reallocation from the DER programme to the CORE programme at KYD \$0.175/kWh for solar PV systems 5kW and below, and a FIT rate of KYD \$0.15/kWh for systems between 5kW and 10kW. It also proposes to authorise the transfer of 500 kW.*

It is important for OfReg and its board to understand what happens now, because the OfReg management team's fundamental lack of understanding of the solar industry will no doubt result in them believing this is a success given the continued adoption of CORE under these proposed rates.



If these rates go forward adoption will continue. However, this is as a result of OfReg's continued refusal to abide by the 75% rate reset agreement (which they agreed to and acknowledged in their public press releases) and the CORE program stopping abruptly and without warning putting solar providers, property developers and others in the positions where they legally must supply solar systems to customers regardless of rates. This will be the first surge.

Additionally, for new customers the industry will cut costs dramatically to compensate; bringing the 12+ year payback periods back in line with the 7-8 years which is the international and regional industry standard for consumers. This means companies will cut costs by laying off staff and moving to cheaper/lower quality equipment. All at a time where the economy is gravely impacted by Covid and jobs are critical and an election is around the corner with people wanting to know why they are jobless in an industry government policy is supposed to be growing. On top of this CUC is requesting the latest generation of equipment to ensure grid stability.

The 500KW's of capacity will be taken up quickly by those developers projects and past clients who were already contracted prior to CORE closing abruptly and to whom there's contractual obligations in place. CREA advised OfReg a year ago that 1.4MWs was required to meet the normal demand cycle for 2020. OfReg instead has ceased the programs for several months, allowed demand to build, provided peace meal portions of capacity driving artificial demand and thus inevitably using up the allocation quickly. An excuse OfReg *then* uses as further justification for their own decision making on rates; despite this artificial demand cycle being a direct byproduct of OfReg's own regulatory inaction.

The grid capacity problem is also OfReg's own fault as they have known for years about the need to upgrade the grid via the infusion study and the timing of solar capacity allocation on the grid. Again they use their own failure to plan as an excuse to justify their decision making. CREA has proposed a solution to the problem OfReg has created here but they do not want to take it up citing "dubious legality" in allocating future capacity even though they have the contract process for the upgrade underway, consumers would be fully informed via the contract and CUC controls the meters so it poses no risk to the grid. The OfReg management team is essentially saying they have to protect consumer from themselves even though they would enter into a contract willingly knowing the system cant be turned on till the battery is commissioned. The end result is again due to OfReg's incompetence the industry would grind to a halt as would consumer choice all because they failed to plan in a timely manner and refuse to the action that would alleviate it.

So in the end the local solar industry will shrink, jobs will certainly be lost (job losses have already occurred because OfReg has taken more than a year to make a decision on CORE), renewable energy technologies will decrease in price and quality and the installation costs will be cut to levels that still makes adoption viable within the 7-8 year payback period and the 500KW's of allocation will go quickly if more allocation is not provided.

This allocation uptake is however is a complete failure of OfReg and government's obligations under the goals of the National Energy Policy but again, in our experience OfReg's management team will see rapid adoption at these rates as some sort of vindication and victory simply because they lack a basic understanding as to the realities of the solar industry described above.

- **OFREG -- Key Principle 4:** *And Wider Government NEP objectives in relation to reliability and affordability of electricity.* **CUC Response:** *CUC is in agreement with this Key Principle. CUC would like to note there are alternative non-distributed renewable generation resource options that are readily available at significantly lower cost than the proposed CORE rates which would benefit the entire customer base and assist in achieving increased reliability and affordability of electricity.*

This is the fundamental CUC strategy, to focus on utility scale solar at the expense of making consumer renewable energy uneconomic based on the logic of presuming that small scale solar must stand on the same price basis as large scale solar. This is in CUC's own best interest to do so. It is a wholly ridiculous notion but one that is shared by the OfReg management team, despite this being completely contrary to the NEP and to basic laws of economies of scale.

Recognize that 10 solar panels on a roof HAS NEVER and WILL NEVER be as cheap as 10,000 solar panels in a field. The reason why the entire world promotes consumer renewable energy and utility scale renewable energy is because each provides separate costs and benefits in aiding renewable energy adoption.

Consumer renewables, aka rooftop solar, facilitates renewable energy adoption while creating sustainable green jobs and providing net economic benefits while doing so at ever decreasing costs for the clean energy. Utility scale solar provides only temporary jobs during construction with minimal or no sustained jobs long term, but it does so at even lower costs for clean energy.

Consumer renewables also has greater benefits for resiliency and the environment by spreading out production near demand on existing rooftops and parking lots, whereas more centralized utility scale solar provides less resiliency and more environmental impact requiring large tracks of habit or developable land.

There are very good reasons why the rest of the world supports both rooftop solar and utility scale solar and it's for the same reasons that CREA, the Government and the NEP does as well. It is OfReg whose myopic "least cost" views and affinity for backing CUC's position to place the focus only on utility scale solar (unless magically small scale solar can somehow break the basic laws of economies of scale) that is blocking progress for carrying out the NEP.

- *CUC -- CUC is of the perspective that any premiums embedded in the rates for distributed renewable generation resource programs over and above a reasonable return on investment (as compared to investments of similar risk characteristics) is ultimately a policy for the Cayman Islands Government to be*

*weighed against raising the price of energy to all consumers and any socioeconomic and political implications therein, amongst other factors.*

Please note that despite OfReg's obvious support of CUC's position here that CUC's position is contrary to the National Energy Policy and its rate setting standard. CUC's statement on the returns being a matter for government policy is bizarre since **the NEP is ALREADY official government policy passed unanimously in parliament.**

The **government also voted against CUC and OfReg's management team in OfReg's independent SPAC committee** to approve a subsidized rate of 22 cents. How much clearer can the government be at this point? CUC, like OfReg's management team, simply will not take no for an answer in regards to this issue of subsidy and rates despite the government policy and government voting against them in the SPAC. The Government's legal obligations under the Public Authorities Law must be exercised as CUC's position is being forcibly implemented by OfReg in contravention of the law, the NEP and the government's clearly stated wishes regarding the CORE rates.

**Public statement on the last CORE allocation at subsidized rates:**

*"The Government is confident that this will have an immediate and direct effect across the industry, in particular to our residents, the small businesses in this sector and energy sustainability. We anticipate that this will provide local jobs in around eight to ten companies while helping to reduce our carbon footprint. We will continue work to foster the development of a sustainable energy industry in our Islands as set out in our National Energy Policy" -- Minister Joey Hew – June 2020*

Also note that CUC is engaging in gross hypocrisy by making statements as recently as 2020 **in support of subsidized CORE rates** being good for the economy and jobs while providing consumers with renewable energy choice. The complete opposite position they are now taking in 2020 alongside the OfReg management team in downplaying the benefits in favor of tying returns for average Caymanians to CUC base rate returns.

**Public statement on the last CORE allocation at subsidized rates:**

*"We are very supportive of the decision taken by the Ministry of CPI. Not only does this revive the CORE programme at a time when the economy is slowing down and in need of such a stimulus." -- Sacha Tibbetts, CUC – June 2020*

The Government's own Strategic Economic Advisory Council (SEAC) determined that consumer renewable energy/job creation should be an urgent focus during Covid.



### iii. Summary of Recommendations & Ideas – Technology & Infrastructure

Recommendation (What problem are we solving?)	Ideas (How to address)	Benefits (Primary and secondary benefit to this & other subject areas/ industry groups)	Subject Areas & Enablers	Timing Short-term <6 months Medium-term 6-18 months Long-term 18+ months	Resources Required	Appendix Ref (for additional details)
<b>Energy – Renewables / Conservation</b> <ul style="list-style-type: none"> <li>Diversification of the energy sector to provide secure, reliable and affordable energy for residents and businesses, in an environmentally suitable manner.</li> <li>Build Cayman as a Centre of Excellence for the deployment of renewable energy technologies.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerated training program for Caymanians in design, implementation and maintenance of renewable energy solutions</li> <li>National Energy Reduction Program (NERP)</li> <li>Expansion, extension &amp; development of CORE &amp; DER programs to drive adoption</li> <li>Regulatory streamlining &amp; efficiency to facilitate adoption</li> <li>Investor Owned Renewable Energy Solutions to encourage participation &amp; investment</li> <li>Immediate deployment of grid scale battery system by the utility to increase grid stability and capacity for renewables</li> </ul>	<ul style="list-style-type: none"> <li>Alignment with and implementation of National Energy Policy</li> <li>Creation of skilled workforce and opportunities for employment</li> <li>Increase in resilience and cost effectiveness of Energy provision</li> <li>Economic stimulation</li> <li>Synergies with aims &amp; recommendations re data inclusion, EV &amp; public transport, and environmental improvement</li> <li>Facilitates greater financing opportunities for consumers and investor owned renewable energy options to encourage participation &amp; investment</li> </ul>		Short & Medium Term	Support from Government to fast track regulatory changes and programs	Appendix 3

The reality is that virtually everyone (individuals, organizations and companies) except CUC and OfReg's management team, who have weighed in on this issue and the continuation of the 'ever-reducing subsidy' via CORE rates **have responded in favor of it; including the elected government itself** who directly represent the people of the Cayman islands.

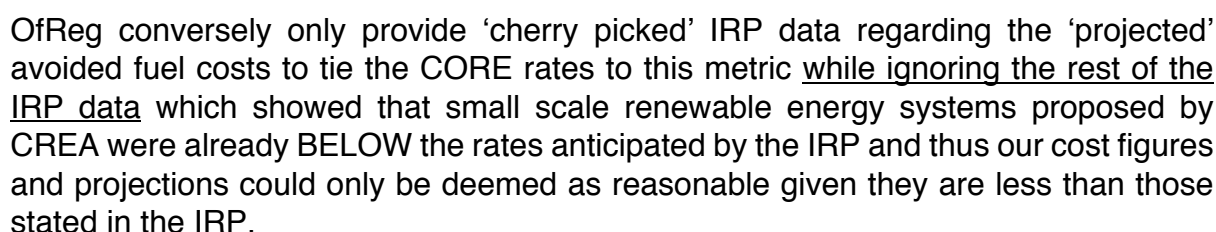
OfReg and CUC are literally the only two entities in the Cayman Islands who have shown support for their positions on small solar systems and setting CORE rates such that they require no subsidies immediately in 2021 and they do so not only in opposition of everyone else but in direct contravention of the National Energy Policy. Yet despite this, the draft final determination sides with CUC and the OfReg management team's views and against everyone else including the Government.

- The Board was mindful of the lack of empirical evidence and or economic analysis to justify the proposed FIT rate of \$0.22/kWh. The Office considered the determining the rates using an internal rate of return ('IRR') equivalent to CUC's Return on Rate Base ('RORB').*

Contrary to this demonstrably false statement it was CREA who provided empirical evidence and analysis for the proposed 22 cents rate and OfReg provided no plausible reasoning for their position in the SPAC committee. This is partly why the majority of the committee, including the Government, voted for the 22 cents position.

CREA provided a detailed breakdown of the installation costs for solar in Cayman and provided supporting evidence to show this was in line with North American installation costs. We then provide references showing the average payback periods in the US being between 7-8 years in support of our analysis of the same payback periods in Cayman being required to continue consumer renewable energy adoption and industry growth. This is also in line with the regional averages. From these two metrics came the rate of 22 cent rate and a full spreadsheet breakdown was provided along with copies of detailed reports from the US government and others including a report from Rocky Mountain Institute outlining the reality and importance of job creation from rooftop solar in the Caribbean.

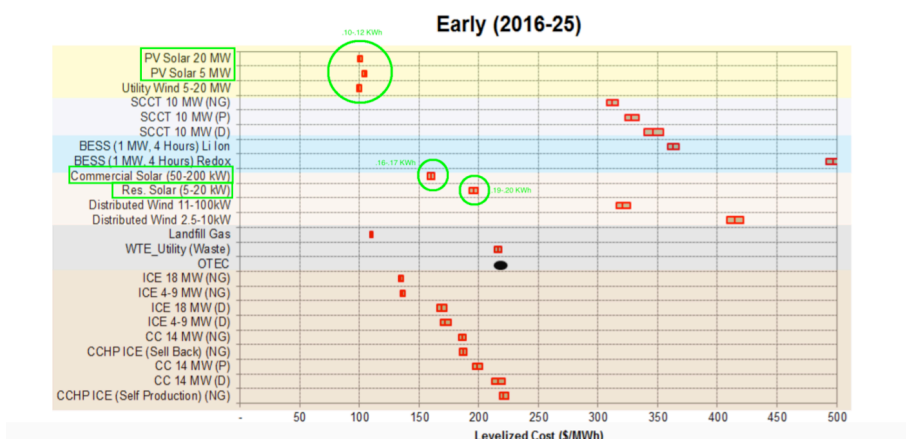
<https://www.nrel.gov/docs/fv20osti/77010.pdf>



OfReg's management team simply ignored this reality and misrepresented this information to the board leaving out the sections of the IRP data which undermine their views. Stunningly they have already abandoned this reasoning within a matter of weeks and are now tying the CORE rates to CUC base rate returns. A metric that makes no sense at all and they have just recently made up out of thin air as part of this trend of continually shifting logic in setting CORE rates based on their own views.



**Exhibit 26: Levelized Cost Estimates for technologies Considered in the Analysis**



CREA's 22 cent rate was thusly based on local data from industry participants, US government/NREL and other verifiable international data sources and CUC's own IRP. OfReg's claim that it was not based on empirical data or analysis is a self-serving false statement by the OfReg management team who themselves failed to convince the Government and the majority of OfReg's own independent SPAC committee as to the credibility of their position with the data they presented. The only persons thus far OfReg's information seems to have convinced is the OfReg board and as noted within this document much of that information provided is either false or misleading.

It is wholly inappropriate and arguably corrupt for OfReg to have formed an independent committee to review and make a determination on this matter for the board, for that committee to have voted against the OfReg management team's position, for the OfReg management team to then craft a board report that argues the majority members are wrong and then go direct to the board to argue that position to board members in the absence of any of the majority members and a lot of misinformation as to the majority's views, some of which are contained herein.

- Also CUC's internal rate of return was considered as an appropriate benchmark, and an internal rate of return of 8% was thought appropriate. This could support a FIT rate of \$0.175/kWh for systems 5kW and below and a FIT rate of \$0.15/kWh for systems between 5kW and 10 kW.

To be clear this is only considered "appropriate" by CUC and OfReg. This is NOT supported by the NEP, the Government, CREA, SEAC, OfReg's SPAC committee nor any of the respondents to the OfReg consultation. There is no logical basis for this and no legal basis for it as it is contrary to the rate setting standard prescribed by the NEP.

The logic itself is completely erroneous and nonsensical since CUC's financing and operations costs are **exclusive** to their financial return; whereas the average Cayman consumer has to account for financing and operating costs that are **exclusive** of this proposed 8% return. Which actually means when included is that the average Caymanian can expect a return of around 1-2% at best after financing and maintenance costs and likely a 0% return for those taking out solar system loans where rolling it into the mortgage isn't done.

The capital costs and risk between CUC and the average Caymanian consumers are in no way comparable and this standard thusly makes no sense and is contrary to official government policy on rate setting per the NEP.

- *OFREG -- 186. Beyond the extremely vibrant policy discussion and important mathematical regulatory calculations, and the methodologies used in other jurisdictions, the Office was mindful of the need to be predictable in its determinations. A reduction in the CORE rates and thus the subsidy to the future CORE customers, is now reasonably predictable. The rates are being adjusted from \$0.28/kWh (locked in) to \$0.175/kWh (locked in) for systems of up to a capacity of 5kW and from \$0.24/kWh (locked in) to \$0.15/kWh (locked in) for systems from 5 kW to 10 kW.*

- 187. *As the discussion in this consultation reveals, the next rate to be set will take into consideration the value of solar and/or via new and improved distributed energy resource programmes. This will be done in the context of the NEP.*

This is very typical of the haphazard regulatory logic used by OfReg historically. In one moment they talk about a new CORE rates tied to CUC's base rate being "now reasonably predictable" and that OfReg are "mindful to being predictable in its determinations". Meanwhile the very next line confirms that the next rates (as this 500KW will be gone quickly for the reasons explained prior) will (supposedly) take into account the "value of solar"; something OfReg has failed to do for half a decade despite requests from CREA to do so since 2016.

- ***E. Proposed Final Determinations***
- 188. *The Office, after consideration of all of the input and responses, proposes now to make the following determinations, that:*
- *500 kW generating capacity is transferred from the DER programme to the CORE programme;*
- *for current purposes the LCOE rate is an important, but not determinative factor in setting the FIT rate for the reallocation of capacity currently under consideration;*
- *the FIT rate for the 2020-21 capacity reallocation from the DER programme to the CORE programme at KYD \$0.175/kWh for solar PV systems 5kW and below, and a FIT rate of KYD \$0.15/kWh for systems between 5kW and 10kW; and*
- *The Office will use the LCOE data and rate as determined in the IRP (and future iterations) as well as the value of solar in determining the compensation to be paid to CORE customers in the years ahead.*

CREA implores the OfReg board to listen to the determination made by their own independent SPAC committee who determined the CORE rates to be appropriate at 22 cents (in line with 10 years of OfReg decision making) having weighed all the arguments and data on both sides.

This along with the requirement to bring in a 3<sup>rd</sup> party consultant to create a rate setting methodology for consumer renewables, as the OfReg management team do not have the capability and/or desire to do this as has been demonstrated by half a decade of failure to do so.

The CREA SPAC position is supported by every respondent to the OfReg consultation except CUC and OfReg's management team and this includes the Government. As such the board's final determination in its current form is against the wishes of the people's elected government and against official Government policy.

As government is copied on this document we implore the Government to act under the Public Authorities Law to ensure no part of the NEP is violated if OfReg's board fails to do so.

CREA would like to remind OfReg of relevant requirements of official Cayman Islands Government Policy to which some of their decisions, outcomes and public statements are directly contrary to;

**Goal 4**      Socioeconomic and environmental sustainability - The Cayman Islands will foster and promote the development and application of existing and new technologies, practices in sustainable energy solutions and the development of a sustainable energy industry reflecting its commitment to the socioeconomic wellbeing of its people and to its international and local obligations relating to climate change and environmental sustainability.

The transition to renewable energy and a green economy affords opportunities for the development of a new industry and center of commerce in the Caymanian economy.

3.3.1.11      Promote grid-connected consumer owned renewable energy programmes in Grand Cayman, Cayman Brac and Little Cayman in a framework which provides:

- a) Rates reflective of the full costs and benefits of distributed renewable energy including economic, social and environmental costs and benefits.
- b) An appropriate billing mechanism.
- c) A simple and safe interconnection arrangement through a standard agreement and for a reasonable term.

3.4.1      **Electricity Sector Strategy:** Maintain planning and permitting processes for renewable energy development which are transparent, objective and facilitate transforming electricity generation primarily to renewable energy sources.

3.4.1.1      Develop a renewable energy transition focused on the protection and choice of Cayman's consumers.

economic development	From a policy perspective, means <u>efforts to improve the economic wellbeing and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes</u>
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**Reality:** The current OfReg indecisions on CORE has lead and is leading to job losses. Reducing the rates to OfReg's proposed levels will harm consumers by pushing lower cost inferior quality equipment and a further reduction in jobs. At the levels of subsidy for a rate of 22 cents (continually reducing down by 2 cents per MW) this would support the growth of the industry, continued growth of jobs, ability for industry to provide consumer's with the best quality equipment and provide a net financial benefit to the country many times greater than the subsidy cost, **which at 22 cents is less than the cost of a newspaper for each consumer.**



OfReg refusing to analyze what the local industry already knows and has been requesting them to do cannot be an excuse by OfReg to discount the economic reality. A reality that exists worldwide everywhere that rooftop solar is promoted. **Just one solar company in Cayman alone has an annual payroll of salaries, pension and insurance which is 300% more than the annual subsidy level at 22 cents.** The notion that the level of subsidy is hurting consumers and the country is ludicrous.

The notion that a net benefit does not exist is devoid of any grasp on the basic realities of this industry, locally or internationally. Sadly it is well established that OfReg's management team simply does not understand this industry which operates within their regulatory environment nor do they understand the economic realities of the consumer renewables programs they have approved such as DER.

- **Appendix 2 – Hawaiian Electric Company (HECO) CORE Rates. Appendix 2 Cont'd - Malta CORE rates**

The OfReg management team have included highly misleading info in their report to the board by way of Appendices. These revolve around the consumer renewables programs and rates for Hawaii and Malta.

OfReg is comparing apples and oranges here. They are trying to use the rates for other jurisdictions consumer renewables programs to make the case that their view of Cayman's consumer return on investment and payback periods for solar are comparable and thus their proposed rates are justified.

This is highly misleading because what they have NOT stated is;

- a) Hawaii has a 35% tax credit which means the government defacto pays for 1/3<sup>rd</sup> of the customers solar system. Thus the installed costs are not the same. (Meanwhile CREA accounted for the tax rate in our US comparison analysis). This is why despite the rates quoted by OfReg, **the payback in Hawaii for rooftop solar is 5-7 years** which is half what OfReg is proposing for Cayman's consumers.
- b) The cost of living in Cayman is more than twice the cost of living in Malta. As such the installed cost of their consumer solar systems are far cheaper and not comparable to the Cayman Islands. Similar to Hawaii **the payback periods in Malta for rooftop solar are 6-8 years.** Quoting FIT rates while ignoring the costs is highly misleading at best.

CREA will be happy to arrange for verification of this information via one of the largest solar companies in Hawaii and the largest solar provider in Malta to speak directly with the OfReg Board in regards to the above.

These simple yet fundamental omissions of facts are why these OfReg board reports on consumer renewables are at best flawed and at worst purposely misleading.

The Rocky Mountain Institute (RMI) who played a role in the SPAC committee and was the recommendation of the majority of SPAC members to carry out the consultation for developing the rate setting methodology can also confirm that the global, North American and regional standard for financial payback periods for consumer renewable energy **does NOT exceed 8 years**; contrary to the OfReg management teams assertions. The reason why the OfReg management team is searching the globe for places like Malta, instead of just looking at the expansive and up to date US NREL solar industry data is because it proves their claims to be wrong around solar costs, paybacks, financial returns and ultimately the CORE rates.